

Foreign Trade Zones – Petroleum Pre-Assessment Survey

Internal Control Technical Guide

Objective

Provide guidance in performing a Pre-Assessment Survey (PAS) of the company's internal controls for merchandise admitted into and removed from a Petroleum - Foreign Trade Zone (FTZ) and evaluating the results.

Background

Generally Accepted Government Auditing Standards require the PAS team to obtain a sufficient understanding of internal controls to plan the audit and determine the nature, timing, and extent of tests to be performed.

The guidelines and terms in this technical guide are based on *Assessing Internal Controls in Performance Audits*, GAO/OP-4.1.4, published by the United States General Accounting Office, Office of Policy, September 1990; and the American Institute of Certified Public Accountant's *Statement on Auditing Standards No. 78*.

19 CFR Part 146 establishes Customs requirements for merchandise admission, handling of the merchandise while in the zone, manipulation, manufacture, exhibition, transfer, and exportation from a zone. 19 CFR Part 146, Subpart H, beginning at 146.91, applies specifically to petroleum refinery FTZ's in addition to all other provisions set forth in 19 CFR Part 146.

An FTZ is a secure area operating under the supervision of the U.S. Customs Service. FTZs are considered outside the Customs territory of the United States for the purpose of tariff laws and Customs entry procedures. Under zone procedures, the usual Customs entry procedure and payment of duties is not required until the foreign merchandise enters the Customs territory for domestic consumption.

The Foreign Trade Zones Act of 1934 as amended in 19 U.S.C. 81a through 81u establishes how zones are created, administered, and also identifies what may be done in a zone.

The U.S. Customs Foreign Trade Zone Manual (FTZM) provides additional instructions and guidelines on Customs policy and administrative authority on zone operations. The users of the FTZM include Customs personnel, zone operators, grantees, and other users of the zone.

The Trade and Development Act of 2000, that became law on May 18, 2000, amended the Tariff Act of 1930, to allow all FTZ to file weekly entries for all classes of merchandise, except for merchandise that is prohibited by law.

19 CFR 146.93 describes the attribution methods available to petroleum FTZ's: producibility, actual production records, and other inventory methods.

19 CFR 146.95 refers to producibility and actual production records. Attribution using the producibility method must be based on the industry standards of potential production on a practical operating basis, as published in Treasury Decision (T.D.) 66-16. Attribution using actual refinery records shall be accepted by Customs to the extent that the operator actually uses this convention in its refinery operations.

If an operator wants to change record keeping procedures, he must seek prior approval from the Director, Office of Regulatory Audit in accordance with 19 CFR 146.96.

Appendix to Part 146 is Guidelines for Determining Producibility and Relative Values for Oil Refinery Zones.

Examples of Red Flags

The following examples are conditions that may indicate a potential problem with Petroleum FTZ's.

- Company has insufficiently documented, poorly defined, or no internal controls over the admission and withdrawal of FTZ merchandise. Examples:
 - ✓ The company does not have a system to review, monitor, or interact with the broker on foreign trade zone issues.
 - ✓ The company relies on one employee to handle FTZ issues, and there are poor or no management checks or balances over this employee.
 - ✓ The company inventory control and record keeping system procedures manual does not reflect the company's current zone operations and is inadequate or inaccurate.
 - ✓ The company does not have control procedures for zone-to-zone transfer.
 - ✓ The company does not have procedures in place to monitor and review its inventory control and record keeping set up, including product code and material code set-ups.
- Company's import staff lacks knowledge of FTZ requirements and the basic refinery process.
- Company fails to cooperate or respond to Customs.
- Company has high turnover of people in key positions.
- A significant variance exists between the company's data and Customs data.
- Customs (compliance checks, compliance measurement exams, prior audits, import specialist, account manager, and other Customs information) shows history of problems with the company's FTZ operations.
- Zone Operator does not maintain adequate receiving, inventory and shipment records or other documentation to support the zone operations.
- Security within the zone activated areas is not adequate.
- Company does not perform scheduled physical inventory reconciliation as prescribed by procedures manual as well as reconciliation of inventory at least monthly.
- The company does not use the most current version of the inventory control and record keeping system software available from its vendor if the software was not developed internally.
- Reconciliation of gauge report to inventory records reflects unreasonable gains, losses, or a cumulative effect over time.
- Operator failed to reconcile discharged quantities to CF 214s and failed to report any gains or losses to Customs.
- Information reported to Customs on CF 214 does not match operator's records and third party records.
- The company maintains restricted merchandise in the zone.
- The company does not have records to support value of merchandise when exported.
- The company requests zone status changes from Privileged Foreign (PF) to Non-Privileged Foreign (NPF) at any time.
- The company requests zone status changes from NPF to PF after production has begun on the receipt.
- The company makes multiple requests to change zone designation status.
- Merchandise is not removed from the zone within 5 days after the permit/entry is accepted by Customs.
- Receipt quantities are established by zone operator and not by an independent inspector.

- The zone uses an inventory method other than producibility.
- Information obtained from Customs sources indicates that the company has violated grant authority during past reviews.
- The company does not have procedures for calculating relative value on PF shipments. See FTZ Manual.
- Custody transfer points (meters) are not self-certified or certified by Customs.
- The company lacks documentation on self-certified meters or does not test meters as prescribed in the Customs regulations.
- The company does not have procedures to review its weekly estimate worksheet to ensure quantity covered actual production/withdrawals.
- Customs Automated Commercial System (ACS) records and company records show little or no duty was paid during the scope period on entered merchandise.
- The company used “dedicated products table” or “category 0” for merchandise in production.
- Foreign receipts within the inventory control and record keeping system cannot be traced to the CF 214 and/or withdrawal from zone (CF 7501, CF 7512, etc).
- Inventory control and record keeping systems do not account for domestic merchandise admitted into the zone.
- The company uses an inventory method other than those authorized by Customs and did not obtain approval.
- CF 214 not properly signed by Customs officials and zone operator.
- Company does not file amended CFs 214 to convert market value to actual value in order to properly calculate HMF.
- FTZ operator failed to file an Application for Manipulation, Manufacture, Exhibit, and Destruction in the zone (CF 216) or the permit expired.
- The company records indicate inconsistency in using a selected method of measurement (weight or volume).
- The company ships and/or admits products and/or feedstock not listed on T.D. 66-16 and did not obtain approval for the T.D. 66-16 table modifications.
- The company does not account for fuel consumed, flared, and/or evaporated.
- The company does not perform the annual reconciliation required by 19 CFR 146.25.
- The company combines receipt and shipment information prior to downloading to FTZ database.
- The company uses standard gravity instead of actual gravity in the zone data.
- The company uses different volume to weight conversion formulas for different feedstocks and products.
- The company routinely reports large amount of known loss.
- The company does not verify crude class against actual gravity.
- The company combines products into a generic name.
- The company does not review entry information against attribution results.
- The company files its own CF 7501 information but does not use an automated brokerage system provided by the FTZ software.
- The company does not submit, to Customs, duty payments for inventory shortages or entries for inventory overages; or shortage payments or overage entries are significantly higher or lower than prior years.
- Excessive shortages or overages are shown on the annual reconciliation.
- Few, if any, adjustments are shown on the annual reconciliation.
- The company is unable to explain or provide records supporting adjustments on the annual reconciliation.

- The company does not file Manifest Discrepancy Reports (MDRs) for shortages upon receipt in the zone.

Examples of Best Practices

- Internal controls over FTZ operations:
 - ✓ Are in writing;
 - ✓ Include procedures for monitoring and feedback; and
 - ✓ Are monitored by management.
- One manager is ultimately responsible for control of the Import department, including FTZ operations. That manager has knowledge of Customs matters and the power to authority to ensure internal control procedures for FTZ operations are established and followed by all company departments.
- The department/individual assigned to monitor for compliance of the FTZ has the responsibility as major duties and has designated a backup.
- Internal control procedures assign duties and tasks to a position rather than a person.
- FTZ administrator has a good understanding of the process that is used to compile the year-end reconciliation.
- The company documents and maintains records of its annual system review of its inventory control and record keeping systems.
- The company performs internal/external audit or periodic review of FTZ operations and uses the results to make corrections to entries and changes to their import operations as appropriate, including:
 - ✓ Performing monthly inventory reconciliation,
 - ✓ Verifying feedstock and intermediate class against actual gravity,
 - ✓ Reviewing entry information against attribution results,
 - ✓ Verifying volume to weight conversion in every receipt and shipment,
 - ✓ Checking procedure to avoid duplication in recording transactions, and
 - ✓ Periodically reviewing the set up of feedstock, intermediates, and products in the material table and the producibility table.
- The company has good interdepartmental communication about Customs matters.
- The company official involved with FTZ merchandise participates in continuing education and is provided sufficient information to determine whether merchandise is entered, controlled, and removed from the FTZ in compliance with Customs Regulations and the FTZ grant.
- The company provides training in Customs requirements to other departments (receiving, accounting, manufacturing, and inventory) that are directly or indirectly involved in the FTZ operation.
- Labs, manufacturing, engineering, and other departments provide sufficient descriptions of merchandise to permit proper classification.
- The company updates its FTZ procedural manual and submits changes to the port director at the time of its implementation.
- The company seeks rulings and assistance from Customs to ensure compliance with Customs regulations.
- The company has identified non-producible receipts, chemical receipts and has applied for T.D. 66-16 table modifications.
- The company obtained prior approval from Customs for record keeping procedures other than those that have been approved by Customs.

- The company utilizes the National Association of Foreign Trade Zones (NAFTZ) formula when calculating volume, weight, or American Petroleum Institute (API) standards.
- The company periodically reviews the set up of feedstock, intermediates, and products in the material table and the producibility table.
- The company performs monthly inventory reconciliation and internal audits of its FTZ operations on an annual basis.
- The company has a procedure to verify feedstock and intermediate class against actual gravity.
- The company reviews entry information against attribution results.
- The company verifies volume to weight conversion in every receipt and shipment.
- The company has a checking procedure to avoid duplication in recording transactions.
- The company utilized the API standards conversion factors to account for gain or loss.

Examples of Documents and Information to Review

- Internal control policies and procedures.
- The company's most current FTZ procedures manual submitted to the Port.
- The company's response to the questionnaire.
- Process map flowchart and narrative.
- Interviews with company staff concerning actual procedures and controls specific to the FTZ.
- Results of any internal or external audits of the FTZ operation.
- Grant of Authority from the Foreign Trade Zone Board.
- Special FTZ Procedures approved by Customs (i.e., alternative export procedures, inventory methodology).
- Company's documentation that supports monitoring and verification of established and/or written internal controls over FTZ operations, including:
 - ✓ Documentary evidence of periodic review or testing of internal control procedures.
 - ✓ Documentary evidence of annual internal reviews of inventory control and record keeping systems.
 - ✓ Documentary evidence that the company consistently conducts scheduled physical inventories, and performs annual reconciliation.
 - ✓ Release Order.
 - ✓ CF 214 Application for Foreign Trade Zone Admission and/or Status Designation.
 - ✓ CF 7512 Transportation Entry and Manifest of Goods Subject to Customs Inspection and Permit (IT, T & E, IE).
 - ✓ CF 216, Application for Manipulation, Manufacture, Exhibit, or Destruction of Merchandise in an FTZ.
 - ✓ CF 7525 Shipper's Export Declaration (SED).
 - ✓ CF 3461 Immediate Delivery Application and any amendment used for Weekly Estimated Removals.
 - ✓ CF 7501 Entry Summary.
 - ✓ CF 349 Harbor Maintenance Fee Report and CF 350 Amended Quarterly Summary Report.
 - ✓ CF 301 Customs Bond (Activity Code 4).
 - ✓ Pro-forma/Commercial invoices.
 - ✓ Certified letter to the Port Director of overages and shortages as a result of annual reconciliation.
 - ✓ Annual Reconciliation Report.

- ✓ Inventory control and record keeping system generated reports that provide an audit trail from receipt to attribution, shipment, withdrawal from the FTZ, and to appropriate entry documentation and duty payments.
- ✓ Independent Inspectors' reports.
- ✓ Documentation on Customs certified or self-certified meters.
- ✓ Meter tickets.
- ✓ Documentation showing flaring, evaporation, and fuel consumed within the FTZ.
- ✓ Calculations of known and unknown gains and losses.
- ✓ Documentation that establishes the manufacturing period.
- ✓ Appropriate records for the attribution methodology used.
- ✓ Calculations supporting relative value.
- ✓ T.D. 66-16 and subsequent approval.
- ✓ Production specification sheets.
- ✓ Calculations supporting relative value.
- ✓ Producibility table in the FTZ database.
- ✓ Material table in the FTZ database.

Suggested Testing

PAS team judgement should be used to determine the type and amount of testing needed to evaluate how effective internal control is and to determine whether there is sufficient risk to warrant proceeding to the Assessment Compliance Testing (ACT) process.

Using the chart and the guidelines below, determine through limited judgmental testing whether the company's internal controls are effective.

To determine the extensiveness of internal control testing, it is necessary to evaluate:

1. The **risk exposure level**, and
2. The **internal controls** system by determining if the controls are in operation, how the controls were applied, how consistently they are applied, and who applied them.

Risk Exposure

Risk exposure is the probability of significant Customs noncompliance. In each step of determining risk exposure, consideration should be given to:

1. Significance (to Customs) and sensitivity (e.g., issues of interest to Congress, the media, or impacting admissibility).
2. Susceptibility (of making incorrect declarations).
3. The existence of any "red flags".
4. Management support (of strong internal controls).
5. Competent personnel (to adequately administer the controls).

Steps to Determine Risk Exposure:

1. Evaluate problems identified in the profile, compliance measurement rates, questionnaire, and concerns raised by the import specialist and account manager.
2. Perform the macro risk analysis tests.
3. Analyze all results to determine the risk exposure level.
4. Evaluation of risk exposure is not simply a one-time process that occurs at the start of the PAS process. Continually reassess risk exposure as more information is gathered from evaluating internal controls and performing other work in the PAS.

Macro Risk Analysis Examples*Example A: Low Risk Exposure*

The CAS analysis indicated no unreasonable difference in the value of the company's database of products removed from the FTZ to ACS entry data. The auditor's macro test that included tests of merchandise entering the FTZ as reported on the CF 214 against the merchandise that the FTZ's internal records show disclosed no discrepancies. In addition, discussions with the import specialist and review of the profile disclosed no concerns with FTZ operations. Therefore, the macro risk analysis indicated a low risk exposure.

Example B: High Risk Exposure

The CAS analysis indicated a large irreconcilable difference between ACS entry data and the company's database of products removed from the zone. Therefore, the macro risk analysis indicated a high-risk exposure.

System of Internal Control

To evaluate the internal control system:

1. Consider the five components of internal control:
 - Control Environment.
 - Risk Assessment.
 - Control Activities.
 - Information and Communication.
 - Monitoring
2. Review relevant Customs and company documents to identify and understand internal controls over FTZ. (Examples of documents and information to review are listed above.)
3. Determine whether the company established and follows procedures. Review:
 - Documentary evidence of the results of periodic internal control reviews/testing and corrective action implemented.

- Documentary evidence, such as a log, of communication with the broker and company departments on FTZ issues, including company testing of broker operations and verification that the broker followed company instructions.
 - Company FTZ rulings requested. Determine if they are followed.
 - Documentary evidence of intra-company communications to ensure correct information is provided to Customs.
 - Training records and materials relating to FTZ used to educate staff on Customs matters.
 - Evidence that the zone operations were in conformance with the FTZ grant of authority or meet Customs approved procedures if modifications were requested.
 - Evidence that Customs approved requests for T.D. 66-16 modifications.
 - Documentary evidence that the company conducts physical inventory counts and performs reconciliations at least monthly.
 - Documentary evidence that the company verifies the conversion between volume and weight using proper formula.
 - Documentary evidence that the company verifies the feedstock and intermediate types according to their gravity.
 - Documentary evidence that new feedstock, intermediates are properly identified with reasonable feedstock type and new products have followed American Society for Testing and Materials (ASTM) when applicable in product category designation.
 - Documentary evidence that company verifies entry information against attribution results.
 - Documentary evidence that the company has a procedure for correcting data errors and making adjustments.
 - Documentation for shortages and overages in the zone, including reports to Customs.
4. Review written policies and procedures and interview applicable company personnel to complete appropriate sections of the "Worksheet for Evaluating Internal Controls over Petroleum FTZ".

Note: The internal control assessment should include steps to:

- Identify and understand internal controls
- Determine what is already known about control effectiveness
- Assess the adequacy of internal control design
- Determine if controls are implemented and effective
- Determine if transaction processes are documented

Extensiveness of Audit Tests (Testing Limit)

The purpose of limited PAS testing is to take a survey in order to determine the necessity for and extent of substantive tests. In some circumstances, the PAS team may decide it probably will not be able to form an opinion based on limited PAS testing. In that case, it may be necessary to proceed immediately to the ACT process. If the PAS team believes that it can form an opinion based on limited PAS testing, test the appropriate number of controls and associated transactions using the table below.

Determine Extensiveness of Audit Tests

Risk Exposure	+	Preliminary Review Internal Control	=	Extensiveness of Audit Test	Testing Limit
High		Weak Adequate Strong		High Moderate to High Low to Moderate	10-20
Moderate		Weak Adequate Strong		Moderate to High Moderate Low	5-15
Low		Weak Adequate Strong		Low to Moderate Low Very Low	1-10

Source: Adapted from *Assessing Internal Controls in Performance Audits*.
Column titled "Testing Limit" reflects Customs test sizes.

Evaluation of Pre-Assessment Survey Testing Results

The following steps are guidance for determining the effectiveness of the company's internal controls over FTZ operations.

1. Complete the "Worksheet for Evaluating Internal Controls Over Petroleum FTZs" to determine whether risk determination is acceptable or unacceptable and to document why. Put results of testing in perspective and evaluate confirmed weakness as a whole. The evaluation should consider the results of the internal control testing, problems identified in the profile, and/or concerns raised by the import specialist or account manager. The team must evaluate the PAS results based on the specific situations.

Customs considers risk to be unacceptable when testing reveals that internal control is not sufficient or effective in providing reasonable assurance that accurate, timely, and complete declarations are reported to Customs.

At a minimum, Petroleum FTZ's tests should include:

- ✓ Determining the validity of the information submitted to Customs on the CF 214;
 - ✓ Determining the accuracy and adequacy of the information in the FTZ's inventory control system (including waste products from the refining process etc.); and
 - ✓ Determining the accuracy of information submitted to Customs on entries (CF 7501s) and transportation entry and manifest of goods subject to Customs inspection (CF 7512s).
2. The following will help the PAS team determine whether conditions warrant proceeding to ACT.
 - **Do not proceed to ACT (Revenue) if:**
 - ✓ Cost benefit analysis warrants no further effort (do not spend a significant amount of resources to identify a potential loss of revenue considered insignificant).
 - ✓ The PAS indicated that the error was due to an isolated incident.
 - ✓ The company agrees with PAS finding(s) and is able to quantify the actual loss of revenue within an acceptable timeframe.

- **Do not proceed to ACT (Compliance) if:**
 - ✓ Error was an isolated instance.
 - ✓ The errors were systemic and the importer agreed to develop and implement a Compliance Improvement Plan within an acceptable timeframe.
- **Proceed to ACT (Revenue) if:**
 - ✓ The company does not have adequate internal controls, and PAS indicates a material loss of revenue that cannot be quantified without statistical sampling or further review.
 - ✓ Importer will not quantify loss of revenue.
- **Proceed to ACT (Compliance) if:**
 - ✓ The company refuses to take corrective action on systemic errors, and it is necessary to calculate a compliance rate.

Note: If substantive tests necessary to determine a compliance rate or revenue loss can be performed quickly and without extensive effort, the team should immediately perform the substantive tests without proceeding to ACT.

3. Determine whether referrals should be made for enforcement action.

Examples

The following examples of situations that might be encountered under PAS are *for clarification only*:

Example A: Situation in which the team would not proceed to ACT (Revenue)

Auditor Example – The team reviewed the annual reconciliation, profile, questionnaire, written procedures, process map narrative and flowchart, and other documents.

The company procedures indicate that the values used to calculate relative value were updated monthly and that the relative value calculation was performed on every PF shipment. Testing was performed on 10 different shipped products that were attributed to PF receipts to determine whether the company updates values monthly and that the relative calculation was performed on each shipment that was attributed to a PF receipt. The testing showed that although all 10 values were updated monthly, relative values were not calculated for the 10 shipments tested. The company agreed to quantify any revenue loss and implement a Compliance Improvement Plan (CIP) for the deficiency. Since the company agreed to quantify the loss and implement a CIP, the PAS team concluded they should not proceed to ACT.

CAS Example – During the database analysis the CAS found errors that resulted in duty losses. The zone operator agreed to identify the losses and quantify the errors.

The errors include:

- Class error in foreign feedstock designations,
- Unreported dutiable attributions.

Since the company agreed to quantify the loss and implement a CIP, the PAS team concluded they should not proceed to ACT.

Example B: Situation in which team would not proceed to ACT (Compliance).

Auditor Example - Based on a review of the profile, questionnaire, written procedures, process map narrative and flowchart, and other documents, the team concluded that the *preliminary risk exposure was low*.

Company procedures indicate that the actual API standards are used on all receipts admitted into the zone. A selection of eight receipts resulted in a review of five domestic receipts and three foreign receipts. Of the five domestic receipts reviewed, the operator selected the crude class type (I, II, III, or IV), based on the selection made by the engineer, rather than on the actual API standards. Of the three foreign receipts reviewed, the operator always used the actual API standards. The PAS team reviewed the API standards for the five domestic receipts, and found that the API standards did not relate to the crude class selected, which could result in over or underattribution, and possibly a revenue loss. The company agreed to the issue, and implemented a CIP and additional procedures to correct the error. Therefore the team would not proceed to ACT.

CAS Example – During the database analysis, the CAS found discrepancies in volume to weight conversion. The CAS also found duplications in shipments in the zone data file. The team decided that the risk exposure is low because the duplications in shipments did not involve duty and the size and frequency were small. Also the zone operator agreed to use the correct conversion formula. Therefore the team would not proceed to ACT.

Example C: Situation in which team would proceed to ACT (Revenue).

Auditor Example - The same scenario as Example B above, except that the company stated that the differences in the crude class and API standards was irrelevant based on the way the refinery is set up and its capabilities. Also the crude class ranges established by Customs did not coincide with the refinery's definitions for crude class ranges. Further, the company argued that the receipts in question were domestic, and were not subject to Customs entry procedures. Based on the discrepancies and issues identified the auditors would proceed to ACT.

CAS Example – During the database analysis the CAS found shipment attribution errors that were systemic and frequent. The errors consisted of a set-up error in the producibility table that had non-original producibility values associated with unauthorized feedstock types. Therefore the team proceeded to ACT.

Example D: Situation in which team would proceed to ACT (Compliance)

Auditor Example -The company procedures indicate that monthly inventory reconciliations are performed and follow the hierarchy for attributing unexplained losses: attribute first to available privileged foreign receipts, and then to domestic receipts when privileged foreign receipts are no longer available. The PAS reviewed three monthly reconciliations to verify that there were no privileged foreign receipts available since the company attributed the unexplained losses to domestic receipts. During the review, the PAS discovered that there were foreign receipts available for attribution of the unexplained losses based on the documented company procedures. However, the company refused to quantify the loss of revenue because the company felt it would lose the domestic receipts, which was used to attribute the original unexplained losses. Since the company refused to quantify the loss of revenue, the team would proceed to ACT.

CAS Example – During database analysis, the CAS found errors involving duty losses in the following areas that the zone operator would not quantify:

Discrepancies in value (such as unsupported freight deduction), quantity, classification, and duty.

FTZ setup or attribution errors, such as:

- Gravity class error in foreign feedstock designation,
- Unknown losses attributed to domestic receipts while PF receipts are available for attribution,
- Import of unauthorized NPF products that are not included in the zone grant (penalty assessment),
- Recorded consumption of coke, etc. as known loss and avoid reporting data on an entry, and
- The company uses actual price for relative value calculation and has a price error that involved non-reportable shipment type, such as export.

Since the company refused to quantify the loss of revenue, the team would proceed to ACT.

Worksheet for Evaluating Internal Controls Over Petroleum-Foreign Trade Zone (FTZ)

Objective: Determine whether the company has procedures designed to effectively control Customs risks related to Petroleum FTZ operations.

Risk Determination:

Acceptable

Unacceptable

Internal Control	Yes	No	Not Applicable	Internal Control Manual Page Number	Work Paper Reference	Comments
Are Internal Controls over FTZ operations formally documented?						
Does management approve written policies and procedures?						
Is one manager responsible for control of the FTZ operation?						
Does the individual overseeing compliance with FTZ requirements have adequate knowledge and training and the authority to ensure that internal control procedures for imports are established and followed by all company departments?						
Do written internal control procedures assign FTZ duties and tasks to a position rather than a person?						
Are written policies and procedures reviewed and updated periodically?						
Are written policies and procedures submitted to Customs when required?						
Does the company have						

Internal Control	Yes	No	Not Applicable	Internal Control Manual Page Number	Work Paper Reference	Comments
adequate communication processes related to its FTZ operations?						
Are internal controls over FTZ operations periodically tested?						
Does the company use the periodic review results to make corrections to past and present entries?						
Does the company use the periodic review results to make corrections to its import operations?						
Did the company perform an annual internal review of the inventory control and record keeping system, as required by 19 CFR 146.25?						
Did the company report to the Port Director any deficiency discovered and corrective actions as a result of the annual internal review, as required by 19 CFR 146.53?						
Did the company seek and attain approval for T.D. 66-16 table modifications?						
Does the zone operator (company) have good interdepartmental communication about FTZ matters?						
Does the company record keeping system include a retention program and identify documents needed to support FTZ merchandise transactions?						

Internal Control	Yes	No	Not Applicable	Internal Control Manual Page Number	Work Paper Reference	Comments
Does the company perform scheduled physical inventories and reconciliation?						
Does the company maintain adequate documentation to support the admission, control and removal of FTZ merchandise?						
Does the company have specific unique identifiers such as Unique Identifier Number (UIN) or receipt transaction numbers to trace merchandise through the manufacturing process and withdrawal of the finished goods?						
Does the company's system account for fuel consumption, flaring, and evaporation?						
Does the company's system identify gains and losses of merchandise resulting from cycle counts or physical inventories?						
Does the company have controls to trace merchandise from admission through the manufacturing process to withdrawal from the zone?						
Does the company operate within the scope of its grant or authority?						
If the company uses commercially generated software for its inventory control and record keeping system, is the company using the most current version of software available?						
Does the company have						

Internal Control	Yes	No	Not Applicable	Internal Control Manual Page Number	Work Paper Reference	Comments
procedures for adding additional products and feedstock into its material code and product code tables?						
Does the company review CF 214s, CF 7501s, and CF 7512s, prepared by brokers to ensure correctness?						
Does the company use an inventory method authorized by Customs? If not, did the company obtain approval from Customs?						
Does the company periodically review its material code and product code table set-ups for accuracy? If so, does company take corrective action when errors are found?						
Does the company periodically review the setup of feedstock type, product category, and producibility value?						
Does the company verify volume to weight conversion for all transactions and use the formula issued by NAFTAZ?						
Does the company verify the CF 7501 data against attribution reports for correctness?						
Does the company file amended CF 214s to convert market value to actual value in order to calculate HMF?						
Internal Control Conclusions						
Does the company have adequate broker oversight?						

Internal Control	Yes	No	Not Applicable	Internal Control Manual Page Number	Work Paper Reference	Comments
Did PAS testing verify that control procedures were being followed?						
Did interviews with responsible persons support control procedures?						
Does the company have adequate internal control to address specific issues identified in the profile?						
List company-specific procedures and controls below (if applicable)						